

Federal Charges in Alleged Class Action Scam Shows Evolving Vulnerabilities in Settlement Security

The federal prosecution of a Rochester-area man revealed an international digital scheme, fueling calls for automated audit overhauls and tighter scrutiny over unclaimed funds.

A recent federal criminal complaint filed in the Western District of New York is turning what initially looked like a bizarre local fraud case into a talking point for corporate defense counsel and settlement administrators.

Federal prosecutors in the U.S. attorney's office have [charged](#) Phillip DiGennaro, of Monroe County, with a heavy slate of felonies, including conspiracy to defraud the United States, wire fraud, identity fraud and money laundering.

Details in the complaint are eye-opening: the government alleges DiGennaro ran a multi-year operation that used more than 480 bank accounts to siphon roughly \$1.3 million out of 107 different class-action settlements.

According to court dockets, DiGennaro is being represented by veteran Rochester defense attorney Brian C. DeCarolis, who did not immediately return a call for comment on the allegations.

Following a brief initial appearance before U.S. Magistrate Judge Mark W. Pedersen, DiGennaro was released on conditions and is scheduled back in court on Aug. 18.

While the feds aren't accusing class counsel or the third-party claims administrators of any wrongdoing, the case exposes just how easy it's become for tech-savvy bad actors to game automated, low-friction settlement approval processes.

According to the filings, DiGennaro told investigators he got the idea himself back in 2021 after losing money in cryptocurrency and facing pandemic-related unemployment.

To scale the fraud, he allegedly hunted for live settlements on public aggregators like TopClassActions.com and swapped notes with others in open Facebook groups like "TCA Settlements & Payouts."

From there, he used fake name generators, dark web IDs, and hired a proxy operator in Colombia for \$600 a month to bypass security filters and flood the system with 27,052 bogus claims.

The mechanics of the scam are already reigniting a long-standing policy debate over what happens to unclaimed settlement money.

In one specific example highlighted by prosecutors—a biometric privacy suit against Vimeo litigated in Illinois—the court had ordered that any leftover settlement funds be donated to the ACLU of Illinois as a cy pres award.

Because the vast majority of consumers in massive class actions never actually file claims, these pools of leftover cash are frequently quite large.

DiGennaro, who never lived in Illinois, making him ineligible for settlement proceeds, managed to intercept 437 separate checks from the Vimeo fund alone.

The defendant routed \$43,086 into his own pockets.

For tort reform groups, the Vimeo example is proof that the civil litigation engine has drifted far from its original purpose.

“This fraud is another clear indicator that the civil litigation system, the tort system, has strayed far from its original mission,” Tom Stebbins, executive director of the Lawsuit Reform Alliance of New York, told Law.com.

“While an extreme example, this is part of a growing trend in which the courts are treated as a tool for accessing a pool of money rather than justice,” Stebbins said, while noting that this exact operational gap often leads to cy pres-heavy resolutions that enrich outside advocacy groups rather than the actual injured consumers.

Stebbins pointed to a report from the [New York Civil Justice Institute](#), which concluded that these deep financial setups can inadvertently fuel a self-sustaining cycle of litigation.

The New York State Trial Lawyers Association declined to comment on the case, noting that the criminal scheme was entirely independent of civil trial counsel.

However, federal authorities explicitly warned in the complaint that the case represents a sophisticated, evolving threat to digital fund administration.

Data from defense firms like [Jones Day](#) shows a staggering 19,000% spike in fraudulent bot claims hitting settlement funds since 2021.

To keep pace, major administration firms like Kroll and Angeion are increasingly [advising](#) defense counsel that multi-factor identity verification and programmatic fraud filters are no longer optional. They are required to stop settlement money from walking out the door.

Class Action

Manage Newsletters

Frontier Communications Inks \$14 Million Deal Over 401(k) Stock

July 13, 2026, 9:14 AM PDT

Frontier Communications Corp. agreed to pay more than \$14 million to resolve a proposed class action challenging the Verizon Communications Inc. stock added to its retirement plan after a series of corporate transactions.

The proposed deal is slated to benefit about 10,000 people who held Verizon stock in their 401(k) accounts with Frontier between December 2012 and April 2018, plaintiff Mary Reidt said in a July 10 motion seeking preliminary approval for the deal from Judge Robert N. Chatigny of the US District Court for the District of Connecticut.

The lawsuit, which Chatigny allowed to advance in 2024, follows a series of corporate spinoffs in which Frontier acquired a portion of Verizon's landline telephone operations and Frontier's 401(k) plan acquired more than \$350 million in Verizon stock. The lawsuit says this high concentration of Verizon stock—allegedly more than 13% of the plan's total assets—is imprudent and caused the plan's investments to underperform by more than \$100 million.

A handful of recent cases have argued that companies violate the Employee Retirement Income Security Act when they continue to offer the stock of a former parent company in their 401(k) plans after a corporate spinoff, with workers claiming the companies no longer enjoy statutory protections for investments in employer stock. Seventy Seven Energy Inc.'s retirement plan committee signed a \$15 million settlement over this practice in 2022, and in 2023 Gannett Co. won a trial over the stock of former parent company Tegna Inc. in its 401(k) plan.

Verizon acquired Frontier Communications Parent Inc., of which Frontier Communications is a unit, in a transaction valued at 19.6 billion completed in January

Mayer Brown LLP represents Frontier. IZard Kindall & Raabe LLP and Bailey & Glasser LLP represent Reidt and the proposed class.

The case is Reidt v. Frontier Commc'ns Corp. , D. Conn., No. 3:18-cv-01538, settlement motion 7/10/26 .

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Bloomberg Law

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Intel Gets Labor Department Backing in Supreme Court 401(k) Case

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Summary by Bloomberg AI

AI Generated



- The US Department of Labor is urging the Supreme Court to uphold a decision dismissing a lawsuit against Intel Corp. over 401(k) plan investments in alternative assets.
- The DOL argued Intel diversified its investments to guard against market downturns, and encouraged the justices to uphold a ruling from the US Court of Appeals for the Ninth Circuit affirming the dismissal of the proposed class action.
- The agency filed a motion requesting time to participate in oral arguments in the case, which is expected to be argued during the Supreme Court's next term.

The US Department of Labor is urging the Supreme Court to uphold a decision dismissing a lawsuit against Intel Corp. over 401(k) plan investments in alternative assets like private equity and is requesting time to participate in oral arguments in the case.

The agency filed an amicus brief Thursday with the high court in the dispute over the "meaningful benchmark" standard in retirement plan investments. DOL argued Intel diversified its investments to guard against market downturns, and the agency encouraged the justices to uphold a ruling from the US Court of Appeals for the Ninth Circuit affirming the dismissal of the proposed class action against the chip maker.

The "meaningful benchmark" standard focuses on whether workers who allege fiduciary imprudence in 401(k) investments have identified a better alternative that is sufficiently similar to the fund in question.

The DOL asserted in its brief that the Employee Retirement Income Security Act's standard of prudence focuses on whether the fiduciary followed the appropriate process, not the results of the investments.

“Rather, to support a plausible inference that a fund’s relative underperformance reflected a fiduciary’s breach of the duty of prudence, a plaintiff must measure the fund’s performance against a meaningful benchmark – a fund that shares sufficient characteristics to provide a basis for comparison,” the department wrote, adding that the employees who brought the case didn’t meet that burden.

The agency also filed a motion requesting 10 minutes to participate in oral arguments.

The case is expected to be argued during the Supreme Court’s next term, which starts in October. The case stems from the 2008 financial crisis, when Intel’s retirement committee allegedly shifted toward investments like hedge funds and private equity to protect against market volatility.

The Intel investment committee said in a Supreme Court brief that the funds were chosen to withstand market downturns.

The agency during the Trump administration has filed several briefs with the Supreme Court, many of them in support of employers in ERISA cases.

The DOL’s Intel brief is in line with the Employee Benefits Security Administration’s approach under the leadership of Daniel Aronowitz, who has repeatedly stressed that fiduciaries should be held accountable based on process, not the results of their investment decisions.

That interpretation of ERISA is the crux of a proposed rule from DOL that would give legal cover to plan sponsors who include cryptocurrency, private equity, and other alternative assets on 401(k) investment menus.

The case is *Anderson v. Intel Corp.*, U.S., No. 25-498, brief 7/9/26 .

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Class Action

Manage Newsletters

Intuit Investor Sues Over Underwhelming 2026 Tax Season Growth

July 13, 2026, 8:41 AM PDT

Summary by Bloomberg AI

AI Generated



- A proposed class action said Intuit Inc. overstated its tax division's competitive strength before a disappointing season led to lower-than-expected revenue growth in the third quarter of 2026.
- The investor complaint said Intuit's TurboTax segment was losing customers to cheaper competitors, and Intuit's share price dipped after the company divulged financial results from the third quarter of fiscal 2026.
- The proposed class would include those who acquired Intuit securities from Aug. 22, 2025, to May 20, 2026, and the investor seeks damages for alleged securities fraud by Intuit and its executives.

Intuit Inc. overstated its tax division's competitive strength before a disappointing season led to lower-than-expected revenue growth in the third quarter of 2026, a proposed class action said.

In reality, Intuit's TurboTax segment was losing customers to cheaper competitors, said the investor complaint, filed July 10 in the US District Court for the Northern District of California.

"We strongly disagree with the allegations in this complaint," an Intuit spokesperson said in an email. "We are confident in our public disclosures and we look forward to vigorously defending ourselves in court."

Before the market opened May 20, a news outlet published a story about impending Intuit layoffs. Its share price dipped 3.95% to close at \$383.93 that day.

After the market closed that day, Intuit divulged financial results from the third quarter of fiscal 2026 – which ended April 30 – including that TurboTax's revenue grew only 7% year-over-year, below estimates. Intuit said it was reducing its full-time workforce by 17% and touted its artificial intelligence powered platform capabilities.

Executives in a related earnings call expressed disappointment with that tax season's performance, with CEO Sasan Goodarzi saying Intuit would need to evolve its business model for simple, do-it-yourself filers' needs.

Intuit's stock price plunged 20% to close at \$307.07 a share on May 21 – its sharpest one-day nosedive since 2003, according to data compiled by Bloomberg.



The proposed class would include those who acquired Intuit securities from Aug. 22, 2013, to May 20, 2014.

Pomerantz LLP and Schall Brown & Schwartz LLP represent the investor, Sanjiv Baldwin. Baldwin seeks damages for alleged securities fraud by Intuit, Goodarzi, and Chief Financial Officer Sandeep Aujla.

The case is Baldwin v. Intuit Inc. , N.D. Cal., No. 3:14-cv-07086, complaint filed 7/10/14 .

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Judge Jesse Furman: ‘No Judge Should Be Abdicating His or Her Judicial Decision-Making Role to AI’

 [law.com/litigationdaily/2026/07/13/judge-jesse-furman-no-judge-should-be-abdicating-his-or-her-judicial-decision-making-role-to-ai](https://www.law.com/litigationdaily/2026/07/13/judge-jesse-furman-no-judge-should-be-abdicating-his-or-her-judicial-decision-making-role-to-ai)

Judge Jesse Furman discusses the potential applications of artificial intelligence for judicial work in the second installment of our conversation with the judge about AI and the law.

Welcome to the second installment of our conversation with U.S. District Court Judge Jesse Furman of the Southern District of New York about artificial intelligence and the ways it is impacting his work on the bench. In this portion of the interview, the judge shares some thoughts about his own use of AI.

You spoke at the New York City Bar’s White Collar Crime Conference in May on a panel called Artificial Intelligence, Ethics and Privilege. During that panel, you said you were “leaning in” and “experimenting” with AI. How have you been using it?

I don't want to overstate the case. I think there are definitely judges who are using it more than I am. I think there's a pretty large range, from people who are not touching it at all to people who are super users. And I definitely would put myself somewhere in the middle of that. I'm trying to learn more about it: exploring different tools and what their capabilities are, trying to educate myself about how one can use them, what good use cases there might be for them and how to build them.

At the moment, I'm using it largely for non-case related work and some committee related work—some letter-writing, other non-judicial or non-case-related writing, that sort of thing. I'm trying to just become more and more comfortable with it, and get a sense of what it can and can't do well. And trying to educate myself by seeing what other people are doing with it—reading things, watching things.

I've been a little frustrated that our court has not gotten any sort of enterprise-type model, or some sort of planner model that we can use officially with adequate safeguards for security and confidentiality and so forth. And for that reason, we're really discouraged from using it within the workplace, and that limits one's ability to really experiment as much as I would like.

I think that we, as judges, really have an obligation to be educating ourselves about this technology and the ways in which it can enhance what we do and facilitate the judicial role. Which is not to say replace judges or substitute for our own judicial decision making, but there

are definitely ways, in my view, that it can help us do our jobs more efficiently and actually render justice in a better and more efficient manner.

When you say you're feeling frustrated about the pace of guidance, or even adoption, is that the Southern District of New York, specifically, or the Administrative Office of the U.S. Courts?

A little bit of both. The AO has a task force on artificial intelligence, and they're providing some guidance. But at the moment, their guidance has essentially been "Be careful," while leaving it to local courts to develop guidance and policies with a broad level of principles and guidance.

There are a number of courts around the country that I know have taken more steps than SDNY has at the moment in authorizing local use and trying things out on an experimental basis, and what have you.

We are in the process of exploring those things, and I fully expect that in the near future, we likely will join some of those courts. At least some of us will be, with authorization, trying out some of these tools, if only to provide guidance to our colleagues with respect to what we can and can't do, and should and shouldn't do. But we have not yet accomplished that. I think there are justifiable concerns about security, confidentiality, not to mention procurement issues that we need to work through.

Do you know what tools the other courthouses are using?

I want to be careful not to endorse any particular tool, but my understanding is that Anthropic has a government-focused tool, and I think they have contracted with a number of courts, at least on a pilot basis. I think there's some new plan or government-type platform that right now they're offering on a pilot basis. There's a tool that was founded by a former law clerk on the Second Circuit called Learned Hand. Like Harvey and Legora are geared toward law firms, Learned Hand is really geared toward courts and judges.

Those are the ones that I've heard of... [that] run the gamut from NotebookLM to ChatGPT to Claude. I think for the most part, the judges that are doing this stuff are doing it on their own.

Are there any current judicial use cases that you think are just bad ideas, things that [you] can't do, or you wouldn't recommend based on what you've learned?

Fundamentally, I was appointed by the President and confirmed by the Senate. Claude wasn't. AI wasn't. I think no judge should be abdicating his or her judicial decision-making role to AI, both because there's certainly concerns about reliability, but more fundamentally, that it's abdicating your role as a constitutionally appointed judge.

What I would not do is put briefs into AI and say, "What's the answer to this question?" because then you're really abdicating your role and not doing the heavy lifting that judging entails. Rolling up my sleeves and reading briefs and writing things and seeing how they write is a fundamental part of what it means to decide things and to be a judge. I'm not so eager to hand that off to a computer.

I am thinking about use cases that are less about judicial research and writing. A huge amount of what district courts and district judges do is docket management: just routine things that come in, requests for extensions, requests for more pages, requests for an adjournment of a conference from here to there, a new case that's filed. My clerks and I spend maybe an hour or two hours a day just going through the filings from the prior day and essentially dealing with those sorts of things. None of them is especially complicated. Most of them we have a model order, or stock language for an endorsement that I might add to a letter. I'm not saying it's purely ministerial. But nor is it heavy lifting, serious thinking.

Somewhere in between strikes me as an area where an AI tool and agent could be incredibly useful. If we could essentially input the prior day's filings into an AI tool and have it do a first pass at all those things and generate all the orders that it thinks I would normally issue in those circumstances, or even add an endorsement to a letter.

Then my clerks or I could review it and make changes as needed. I predict that we could save an hour or two a day. And that hour or two a day we could spend on the more heavy lifting parts of the job, and, if not do those better, do them more quickly and decide motions more quickly.

I think it's a fundamental principle of law that like cases should be treated alike. That's true with respect to any case, in any instance, but sentencing is an area where I think that's incredibly important and statutorily required that you want to eliminate unwarranted sentencing disparities. I think that that mandate is not with respect to one's own sentences, but system-wide; yet I think most judges certainly try to be internally consistent.

I think one strives to be consistent and doesn't want to impose a sentence that is radically different than a prior case that presented very similar facts. I find myself, almost 15 years into this job, frequently encountered with a sentencing and saying, "You know, I had a handful of similar cases before. I wonder what I did in those cases?" and racking my brain to try and remember what those were.

That strikes me as another area where AI could serve as almost a supercharged search engine. If you put in, say, all of my sentencing transcripts, or even all of SDNY's sentencing transcripts, and you could then query a tool and say: Here are the salient facts about this

case, here are things that I find most significant about it, can you find me the five to 10 other cases that are most similar to it, and tell me what the judge, or what I did in those cases?

Again, you're not then abdicating to the AI tool what sentence to impose. You can then read what it finds and use that to inform your judgment. But that strikes me as another very rich area.

There was [a study earlier this year](#) that you're likely aware of; it was by Northwestern University and the City Bar, about judicial AI use. It was randomized, but it reported that about half of federal judges are using AI in some way. Is that consistent with your experience and conversation with your colleagues?

Interesting. I could be wrong, but I don't get the sense that it's half around here. Either because people are quietly doing it and perhaps saying yes to a survey when they don't necessarily advertise it in conversation. Or maybe we're below average here.

That's not usually the case with SDNY.

No, I wouldn't think so. On the other hand, we're very busy, so maybe people just don't have as much time to do it. So anecdotally, I would have put the number at less than that, but I have no reason to question the results of the survey.

Where would you put the number? Distinguishing judges and clerks.

Judges just being older and more fixed in their ways, I would have put it 10 to 20%. I think a lot of clerks are coming into this job having used AI tools either in school or in their prior jobs, and are much more comfortable with it, if not dependent on it. And it wouldn't surprise me if their use was closer to 50, if not even 50% or higher.

Some judges have added AI guidance to their individual rules. You have not. Can you tell me about that decision?

In my view it is unnecessary for the simple reason that, when one files a brief in court, by basically putting your name on it, you're attesting to its reliability and standing behind it. If it's in a civil case, you're subject to Rule 11 and in a criminal case, the same principles generally apply. So, just as we don't require disclosure if somebody relies on the work of an associate or summer associate, or what have you, because Rule 11 suffices, I think the same thing is true here. And in that regard, one shouldn't be required to disclose, for example, that they've used this or be warned about it.

It should be enough to say that if you file something in court, you're standing behind it, and if there's a fundamental problem, a sanctionable problem, by virtue of putting your name on it,

you're subject to sanctions for it, and you know you'll be held accountable for it.

So, in that regard, I think it's unnecessary. Some of them I find problematic. I think AI is increasingly baked into all sorts of tools that people use without necessarily even realizing that it's AI. Westlaw has an AI tool. Lexis has an AI tool. Microsoft Word has an AI tool. I worry about lawyers using AI without even necessarily realizing it, and query whether they're then violating a disclosure requirement if they don't disclose that.

Fundamentally, there were problems in briefs even before AI came along, and judges and courts had to deal with them. Just as before, we wouldn't have required disclosure if you relied on something other than your own legal research. I think that we can continue to rely on those same tools.

That being said, I don't begrudge judges who have adopted those rules or set [that] guidance. I'm not sure if there's necessarily harm in it. But, in my view, it's just not necessary.

Meet the 2 men putting New York's \$300 billion pension fund in play for the first time in 20 years

On paper, New York State Comptroller is a sleepy job. No press secretary emerges from the office to spin the Sunday shows. No Twitter feuds, no viral moments. A [recent poll found that 65%](#) of New York Democrats have never heard of the man who has held the position for two decades.

What Thomas DiNapoli actually controls is another matter entirely. As sole trustee of the New York State Common Retirement Fund—the third-largest pension fund in the United States—he manages nearly \$300 billion without a board, without a cosigner, and without, until very recently, a single Democratic opponent. For the first time since DiNapoli was handed the job in a backroom Albany deal in 2007, two challengers are making a case that the office has been asleep at the switch—and that New Yorkers are paying for it.

Fortune talked to both of them, Drew Warshaw and Raj Goyle, and the two longtime acquaintances, if not friends, had a clear message: The time for a change is now.

The irony is that they may be each other's biggest obstacle. Both are running against the same 20-year incumbent. Both make nearly identical arguments about fees, fiduciary failure, and a \$300 billion fund that has been pointed in the wrong direction. And both are drawing from the same pool of progressive Democrats who, for the first time in two decades, are paying attention to this race—with days left to decide.

The numbers nobody ran

Warshaw, 45, told *Fortune* that he's running because "this is the way my brain works." A former New York politico, holding positions in the New York governor's office and the Port Authority, along with a career in business in renewable energy, Warshaw said his business school training was the motivating factor behind this campaign.

"No one in 20 years ever asked and answered this question: How has the third-largest investor in the United States of America performed? How's he done? Like, no one measured it, no one quantified it." After pulling the annual report of the pension fund, he got to the page that started listing all the investment managers and the fees associated with them. Then Warshaw decided to calculate all 664 names: The total fee bill for a single year was roughly \$1 billion (technically, \$1.1 billion for 2024 and \$862 million for 2025).

"On the first day of Columbia Business School," Warshaw said, "they tell you: It's really hard to beat the market. It's even harder to do it net of fees. It's impossible to do it net of fees over

a long period of time.”

DiNapoli’s office confirmed that its fund uses outside managers, “though not nearly as many as [Warshaw] fabricated,” and confirmed that the fund has paid out about \$1 billion in fees, which it called “a low percentage and entirely in line among pension funds our size, another fact held up by independent reviews.” The comptroller’s office noted that the state Department of Financial Services ranked New York’s investment expenses 33rd among 74 large public pension funds surveyed. “The number of managers we use has grown over time because the amount of money managed has doubled. And in today’s unpredictable financial markets, you must diversify and not put your eggs all in one basket—absolutely key to our success.”

Warshaw commissioned Stanford economist Ryan Cummings to run a 19-year backtest—using DiNapoli’s own stated benchmarks for each asset class, to make the comparison as conservative as possible. [The conclusion](#): The fund underperformed its own benchmarks by 39%, and paid \$11.3 billion in fees to generate that underperformance. Because New York law requires the pension to be fully funded every year regardless of investment returns, the gap was made up through property taxes and income taxes. The total cost to New York taxpayers, by Warshaw’s estimate, was \$59.1 billion.

This study is not peer-reviewed, and a spokesperson for DiNapoli told *Fortune* that it’s a “phony number based on embarrassingly bad math.” In fact, the comptroller’s office argues, the fund’s investments returned 8.94% over the past decade, and two separate, independent reviews—by the Texas-based tax consultancy [Weaver](#) and by the [New York State DFS](#)—have given it high marks for performance, asset allocation, competitive fees, and ethical management.

DiNapoli’s office further referred *Fortune* to the [comptroller’s opinion column published on Syracuse.com](#), in which he argued that Warshaw’s analysis was “built on basic errors in math and an alarming lack of understanding of how investing and diversification works.” Warshaw noted that this response extends only a decade back, not to DiNapoli’s full tenure.

Goyle implicitly agreed with Warshaw but dismissed his efforts as obvious. “You don’t need footnotes and a white paper to document the fact that we should not be giving non-transparent locked-up money to managers who don’t perform, period,” the 51-year-old told *Fortune*. Goyle said the “corrosive nature of fees” is well-known.

The fix that Warshaw urges, and Goyle agrees with, is to move the fund toward low-cost index investing, modeled on what is already in practice with [Nevada’s state pension](#), which converted years ago and has quietly outperformed its actively managed peers ever since.

The DiNapoli paradox

DiNapoli often defends his tenure by noting the pension is one of the best-funded in the country. He's right—and his challengers say that's exactly the problem. In New York, full funding isn't a sign of investment skill; it's the law. When returns fall short, the state raises taxes to fill the gap.

"The pension fund is fully funded, but it's the law," Warshaw said, "and he [DiNapoli] brags and he says, 'Oh, it's one of the best-funded pension funds in the nation.' And he's right, it is. But he leaves out the part that it has to be."

The sole trusteeship structure makes this accountability gap uniquely acute. Unlike California's CalPERS or CalSTRS—which report to full boards—DiNapoli answers to no one. He is, as Warshaw puts it, both the fund manager and the board. "He reports to himself." [Only Connecticut](#) shares this structure among the 50 states.

Fees, favors, and a pattern that rhymes with history

Goyle's critique goes beyond investment returns into the question of how the office has been used—and who has benefited from it.

DiNapoli has received approximately \$500,000 in contributions from law firms that subsequently received state contracts from his office. The arrangement drew scrutiny in a [Times Union investigation](#), and to Goyle, the echo is unmistakable: Pay-to-play contracting is precisely the corruption that sent DiNapoli's predecessor Alan Hevesi to prison and created the vacancy that DiNapoli was appointed to fill in the first place.

Warshaw was careful to distinguish his critique from the populist Wall Street attacks that defined an earlier era of New York politics. "Eliot Spitzer called Wall Street corrupt," he said. "I'm calling them unnecessary. That's a far more existential critique." DiNapoli's \$12 billion in fees, by that logic, isn't a scandal—it's a mistake.

Then there is the question of what the fund actually owns.

After the Sandy Hook massacre, DiNapoli announced with fanfare that he would freeze investments in gun manufacturers. He later sold the fund's stakes in Smith & Wesson and Sturm, Ruger. But a [City & State investigation](#) found that the fund simultaneously increased its position in [Olin](#) Corp., maker of Winchester rifles and ammunition—a company not on the restricted list because firearms are only part of its business. The fund also continued to hold tobacco stocks, private prison operators, and fossil fuel companies, most justified under the

passive investment exemption: The restricted list, DiNapoli's office has maintained, does not apply to index funds.

This is a tell, in Goyle's opinion, who takes particular issue with New York State taxpayers investing in Palantir and SpaceX, two stocks that raise significant ethics issues. "I'm the son of immigrants," said Goyle, whose parents moved from India to Rochester in central New York in the early 1970s, according to his campaign website. "I've lived the immigrant experience, and he [Warshaw] grew up in a very different background and experience than I did."

Goyle noted Palantir's connections to ICE and criticized DiNapoli, who claims, "falsely" in Goyle's words, that he can't divest from Palantir because of a stake in a passive index fund. But the fund is actively managed by the comptroller's office. As of March 31, [filings show](#), the New York State Common Retirement Fund had cut its stake in Palantir by 0.16%, meaning New York taxpayers had \$339 million invested in the company.

Goyle claimed that he's also been "leading the charge on SpaceX," which is a "great example of how DiNapoli is wasting his power right now." The comptroller should be sounding the alarm bell on "clear market manipulation" that's eroding key investor protections, Goyle said, arguing that Elon Musk essentially bullied the Nasdaq into relaxing decades-long protections, shortening SpaceX's index inclusion window from the typical 90-day seasoning period to just 15 days, and limiting the float of available shares.

With SpaceX's inclusion in the Nasdaq 100, Goyle explained, many millions of people will be forced to buy SpaceX shares, even as the small float allows "insiders" to "manipulate the stock." Goyle said these are all "dangerous steps that the Nasdaq has taken," and DiNapoli has been silent.

Fortune noted that a similar dynamic occurred when [Tesla](#) was accepted into the S&P 500, and the surge in investors buying the stock first made Musk into the world's richest man. That dynamic is playing out again. "Absolutely," said Goyle, adding that the "mythmaking machine" around Musk is simply "astounding." This matters for the comptroller's race, he said: "The market has now proven itself, in my view, unable to put guardrails and to follow best practices of fiduciary duty. And so this is the time for the public sector to step in and protect the average investor."

When asked about the counter that Palantir and SpaceX are highly valued growth stocks that can make a lot of money for New Yorkers, Goyle insisted that it's not all about that: "Public pension funds mean that we have public values involved."

DiNapoli coauthored a [letter to Musk on May 13](#), along with New York City Comptroller Mark Levine and CalPERS CEO Marcie Frost, "to express our serious concerns with the reported

novel and extreme governance structure and provisions” involved with SpaceX’s IPO. They requested a meeting with Musk and his advisers to discuss the “path to a structure consistent with the Company’s stature, its national-security role, and the fiduciary obligations of the long-term capital that will fund it.”

Two very different—and very close—insurgents

Warshaw’s path to this race runs through the places where New York’s biggest problems actually live. He served as deputy to Eliot Spitzer’s chief of staff in Albany, was chief of staff at the Port Authority during the rebuilding of the World Trade Center, spent nearly a decade in renewable energy finance, and most recently served as co-CEO of Enterprise Community Partners, the largest affordable housing nonprofit in the country. He claimed he was never the run-for-office type before—more the operator behind the operator. What changed was watching the housing crisis worsen every year he spent trying to fix it from inside a nonprofit, while a single official sat on \$300 billion two hours up the thruway.

Savings, in Warshaw’s vision, would be put to work. He proposes redirecting a portion of the pension’s assets into the largest dedicated affordable housing investment fund in the country, a proposal he argues is not just morally defensible but financially obvious. The nonprofit he ran, Enterprise Community Partners, generated 8%–10% annual returns on its affordable housing investments, he claimed. The pension [fund’s target return is 5.9%](#), though DiNapoli’s office notes the fund posted 11.94% in its most recent fiscal year, its strongest performance in years. “Don’t let the nonprofit fool you,” Warshaw said. “We put \$2 billion to work every year. The math isn’t complicated.

“The cavalry is not coming,” Warshaw said. “The cavalry is us.”

Goyle’s biography runs in a different direction entirely. Although he was born in upstate New York, he grew up in Wichita and became the first Indian American elected to the Kansas state legislature in 2006, fighting off a Koch-backed candidate to do so. “I’ve been fighting the Koch brothers ever since I was in fourth grade,” he told *Fortune*. “I’m running because I strongly believe we need better Democrats, Democrats who fight and who don’t fold.”

Goyle said he was one of Zohran Mamdani’s early supporters when he ran for assembly in 2020, and that the New York mayor has “resonated” because he “put his finger on the daily struggles of New Yorkers,” something that has “very little to do with ideology or a label from the political class.” The most exciting thing about Mamdani, he added, is that he has gotten people to “believe again” that the government can actually do things that make people’s lives better.

Goyle spent years at the ACLU as an immigration rights lawyer before pivoting to the private sector. In 2014, he cofounded Bodhala, a legal tech company whose entire product was exposing hidden billing waste in corporate legal spending—the same corrosive fee extraction he now says DiNapoli has allowed to fester in the pension fund for two decades. Bodhala grew into a national leader in legal business intelligence before being [acquired by enterprise software firm Onit in 2021](#).

When *Fortune* noted that the anti-government waste argument is a common right-wing talking point, particularly beloved of Elon Musk, Goyle insisted there was no contradiction. “I hate inefficiency anywhere I find it,” he said. “And I believe this is what really troubles many people about politics generally, about the corporate sector. People don’t trust Wall Street [and] they shouldn’t, and when I’m comptroller, I will certainly very much energize the waste, fraud, and abuse audits to make sure that there isn’t a dollar that we’re spending that’s inefficient.”

The friendship that got complicated

The two challengers have a history, and it has gotten awkward on the trail. Goyle said he has met DiNapoli during the campaign but doesn’t know him well, but he knows Warshaw “very well personally.” When *Fortune* asked if they were friends, he said, “Yes, we were,” but declined to say whether that still holds. Warshaw said they first met in Washington, D.C., about 20 years ago, when they both worked at the progressive think tank the Center for American Progress, before Goyle moved back to Kansas and Warshaw moved back to New York.

Warshaw criticized Goyle’s progressive bona fides to *Fortune*, pointing out the [conservative positions](#) that Goyle took in office in Kansas, earning a strong rating from the NRA, for instance. Warshaw called it “bonkers.” Goyle fired back that Warshaw was aware of all of Goyle’s positions and supported his campaign, a claim Warshaw contests.

Goyle offered a pointed observation about what sets the two apart: “Drew started his career climbing the pole of Albany,” he said, claiming that he was the only person in the race who didn’t come from the culture of New York’s capital.

The race has grown openly competitive on the progressive endorsement circuit. Goyle’s campaign posted—then deleted—a video claiming the support of trans activist Evanna Vasquez, who had actually signed a letter backing Warshaw. When reached by *City & State*, [Vasquez said clearly](#): “No, no, no—I am supporting Drew.” Goyle’s campaign apologized for the “miscommunication.” At the [Spectrum News debate](#), Warshaw pulled an “ICE Out” T-shirt from beneath his dress shirt—a direct play on Goyle’s signature issue.

When asked whether he and Warshaw would still be friends after the primary, Goyle paused. “We’ll see,” he said. It was the most unguarded moment in an otherwise disciplined conversation.

An unlikely reckoning

DiNapoli was not elected to this job. He was appointed in January 2007 by then Assembly Speaker Sheldon Silver—himself later convicted of corruption—after his predecessor Alan Hevesi resigned and went to prison. He has won five elections since, each time without a primary opponent.

“If you and I didn’t do our job for 20 years, we’d be fired,” Warshaw said. “This is the greatest story never told,” he continued, likening it to Robert Caro’s classic about New York politics and the mid-century statesman Robert Moses: “It reminds me of *The Power Broker*, but this guy’s incompetent instead.”

Whether or not either challenger wins, the argument they have injected into the race—that [\\$6.9 trillion in public pension assets](#) nationwide are quietly financing the very Wall Street complex that is pricing working Americans out of the economy—is unlikely to disappear.

“The great irony and the tragic circle here is that it’s working Americans who are actually funding their own destruction,” Warshaw said, “through no-name administrators...who are moving all this money to a middleman who we no longer need to expose ourselves to the growth of the economy.”

BMW 'On Right Track', Chairman Says, as Profit Warning Hits Shares

 money.usnews.com/investing/news/articles/2026-06-18/room-for-foreign-automakers-in-chinese-market-bmw-chairman-says

PARIS, June 18 (Reuters) - BMW is "on the right track" with its next-generation models, supervisory board Chairman Nicolas Peter said on Thursday, days after a shock profit warning that has hit the German automaker's shares.

Orders for BMW's Neue Klasse models are strong and "good news both for the manufacturer and for the suppliers involved in the project", Peter told journalists in Paris.

The Neue Klasse is a new line of models underpinning an overhaul of BMW's range as it faces fierce competition and falling sales in China, a key driver of Tuesday's guidance cut.

The company's shares fell again on Thursday, hitting their lowest since November 2, 2020. They closed down 4% after brokerages including Citi and HSBC cut target prices.

"The magnitude of this latest downgrade - the third predominantly China-driven downgrade in as many years - is greater than we had anticipated," Berenberg analysts wrote.

"This could prompt a more profound strategic reset under the incoming CEO," they added, referring to Milan Nedeljkovic, who took over from longtime leader Oliver Zipse last month.

Analysts have said BMW may cut capacity in Europe and accelerate efforts to localise production in North America and China.

"Europe remains a pillar of our global export business," he said.

He warned the region risked getting bogged down in regulation, reiterating opposition to the European Union's proposed ban on new combustion-engine cars from 2035, which is now set to be watered down after objections from BMW and other carmakers.

In China, local brands dominate but there is still room for foreign automakers, Peter said.

"Much like how BMW is doing very well in the United States. There's still room for others," he said.

Class Action

Manage Newsletters

Northwell Health Pension Plan Conversion Challenge Falls Flat

July 13, 2026, 10:44 AM PDT

Summary by Bloomberg AI

AI Generated



- Northwell Health Inc. secured dismissal of a proposed class action claiming its employees were misinformed about the consequences of a 1999 transaction that converted their traditional pension plan into a cash balance plan.
- Judge Joanna Seybert agreed with a federal magistrate judge that Northwell's communications to its workers adequately explained how their benefits would be affected by the transition, and that the workers waited too long to press their claims.
- Seybert said Northwell's summary plan description discussed the possibility of a 'shortfall' in benefits and expressly mentioned the possibility that a worker's benefits might be less than they would have been under the prior formula.

Northwell Health Inc. secured dismissal of a proposed class action claiming its employees were misinformed about the consequences of a 1999 transaction that converted their traditional pension plan into a cash balance plan.

Judge Joanna Seybert dismissed the Employee Retirement Income Security Act case, agreeing with a February recommendation from a federal magistrate judge. In that report, the magistrate judge said Northwell's communications to its workers adequately explained how their benefits would be affected by the transition, and that the workers waited too long to press their claims.

The 2024 lawsuit by current and former Northwell plan participants claims the notices they received about the 1999 conversion failed to convey that it could substantially reduce the average retiree's benefits. The quarterly benefit statements provided after the conversion only showed the value of their post-conversion cash balance accounts and didn't reflect their total accrued benefits, according to the lawsuit.

Cash balance plans are pension plans that define promised benefits in terms of a hypothetical account balance, rather than a series of monthly payments.

Seybert's opinion, issued July 10 in the US District Court for the Eastern District of New York, affirmed the magistrate judge's reasoning and rejected multiple objections raised by the workers. In particular, Seybert said Northwell's summary plan description "discussed the possibility of a 'shortfall' in benefits *at length*" and expressly mentioned the possibility that a worker's benefits might be less than they would have been under the prior formula.

Thomas & Solomon PLLC represents the plaintiffs. Morgan, Lewis & Bockius LLP represents Manhasset, NY-based Northwell.

The case is *Lorusso v. Northwell Health Pension Plan*, 2026 BL 260631, E.D.N.Y., No. 2:24-cv-02785, 7/10/26 .

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SCOTUS Leaves SEC Disgorgement Business Unfinished

In their Feb. 19, 2026 article, Chris Bosch and Jeff Kern highlighted six questions that, in their view, had to be answered in order to bring clarity to the SEC disgorgement picture. This follow-up article provides a deeper legal analysis of these unanswered questions and their implications for the future of the disgorgement landscape.

In its recent decision on the Securities and Exchange Commission's (SEC) disgorgement powers, the U.S. Supreme Court resolved one issue of importance to the securities enforcement bar but left open several others.

The unanimous June 4, 2026 decision in *Sripetch v. Securities & Exchange Commission*, 146 S. Ct. 1403 (2026) held that the SEC need not show that victims of securities law violations suffered pecuniary loss to extract disgorgement from wrongdoers.

Instead, the court held the SEC needs to establish only that a wrongdoer interfered with a victim's legally protected interests.

This decision was much-anticipated for its potential to resolve confusion engendered by the court's June 2020 decision in *Liu v. Securities & Exchange Commission*, 591 U.S. 71 (2020), which held that disgorgement is an equitable remedy and, therefore, the SEC may pursue disgorgement under 15 U.S.C. §78u(d)(5) only if it "does not exceed a wrongdoer's net profits and is *awarded for victims*." 591 U.S. at 74 (emphasis added).

However, the decision failed to define "victims," a shortcoming that both Congress and the lower courts were forced to grapple with.

In the wake of *Liu*, on Jan. 1, 2021, Congress passed the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (the "NDAA"). The NDAA effected two disgorgement-related statutory changes: it authorized the SEC "[to] seek, and any Federal court [to] order, disgorgement," 15 U.S.C. §78u(d)(7), and authorized the SEC to seek disgorgement to prevent unjust enrichment, 15 U.S.C. §78u(d)(3).

However, what these authorizations accomplished in light of *Liu* was unclear. Was the SEC's newly granted authority independent of *Liu*'s holding that disgorgement is an equitable remedy, or was this authority still constrained by *Liu*? This uncertainty left the courts with the task of providing clarity.

The courts, however, fared no better than Congress as subsequent decisions produced a circuit split. In 2022, the U.S. Court of Appeals for the Fifth Circuit held in *Securities & Exchange Commission v. Hallam* that the NDAA effectively transformed disgorgement from an

equitable remedy to a legal one, writing that “legal disgorgement” under §78u(d)(7) is unconstrained by *Liu*’s equitable limitations, rendering *Liu*’s definitional gap irrelevant. See 42 F.4th 316, 338 (5th Cir. 2022).

In 2023, the U.S. Court of Appeals for the Second Circuit disagreed, holding in *Securities & Exchange Commission v. Govil* that “both §78u(d)(5) and §78u(d)(7) must comport with traditional equitable limitations as recognized in *Liu*.” 86 F.4th 89, 100 (2d Cir. 2023).

In 2024, the U.S. Court of Appeals for the First Circuit charted a middle course, holding that §78u(d)(7) authorized equitable disgorgement constrained by *Liu*, but that the requisite showing was not pecuniary harm but whether disgorgement did more than “simply benefit the public at large.” *Sec. & Exch. Comm’n v. Navellier & Assocs., Inc.*, 108 F.4th 19, 41 n.14 (1st Cir. 2024).

In 2025, the U.S. Court of Appeals for the Ninth Circuit took its crack at clarity in *Securities & Exchange Commission v. Sripetch*, 154 F.4th 980 (9th Cir. 2025). In its decision, the court framed the circuit split as revolving around two questions: (1) whether §78u(d)(7) authorizes disgorgement unconstrained by *Liu*, and (2) whether disgorgement under §78u(d)(5) and (d)(7) requires pecuniary harm.

Because the court was not presented with the first question, it passed on resolving it. It confined its decision to holding that pecuniary harm was not required under §78u(d)(5) and, because neither party argued otherwise, it was not required under §78u(d)(7) either. See *id.* at 985, 989.

The court then set forth a completely new standard, holding that disgorgement is triggered by “an actionable interference by the defendant with the claimant’s legally protected interests.”

Sripetch appealed to the Supreme Court, presenting the sole question of whether the SEC may seek equitable disgorgement under 15 U.S.C. §78u(d)(5) and (d)(7) without showing investors suffered pecuniary harm. The court found it need not resolve whether §78u(d)(7) freed the SEC from *Liu*’s equitable bounds, instead “simply assum[ing] without deciding that disgorgement under §78u(d)(7) remains an equitable remedy.” *Sripetch v. Sec. & Exch. Comm’n*, 146 S. Ct. 1403, 1410 (2026).

The court then issued a narrow holding that the SEC need not show pecuniary harm to secure disgorgement. “In some instances,” the court opined, “a defendant can unjustly enrich himself even without leaving a plaintiff worse off financially. And in those instances...[equity traditionally prefers] restor[ing] the defendant to his prior position by stripping him of his unjust gains” rather than “allowing the defendant to benefit from his misconduct because the plaintiff’s financial position has not changed.”

Instead of having to establish pecuniary harm to a victim, the court held that the SEC need only show “an interference with protected interests” entitling a victim to “restitution of [the defendant's] wrongful gain” even when the victim has suffered “no measurable loss whatsoever.” *Sripetch*, 146 S. Ct. at 1410-11.

The point of the remedy, the High Court continued, is for the defendant to disgorge the amount by which it has been enriched from the wrongful invasion of the plaintiff's legally protected interests, not to compensate the plaintiff for financial loss.

Unfortunately for an industry clamoring for disgorgement-related clarity, the court chose not to define “invasion” or “legally protected interest,” inviting doubts as to how this standard is to be applied going forward.

The court did provide *some* limited guidance in the form of six illustrative cases, all decided before 1947, which involved an invasion of a legally protected interest and warranted disgorgement in the absence of pecuniary harm.

Raven Red Ash Coal Co. v. Ball, 185 Va. 534 (1946), the first case cited by the court, is representative of these decisions. In that case, the defendant used an easement to transport coal from properties not referenced in the easement, which the court deemed a purpose not specified in the grant. Plaintiff admitted suffering no measurable loss. The court identified the invaded interest as the plaintiff's property right to limit the easement to its agreed-upon scope.

The other five cases entailed a similar scenario wherein the defendant exceeded the bounds of the bargained-for privilege without causing direct economic harm to the victim.

These examples, however, have no application to enforcement actions brought by the SEC that do not involve deception, fraud, or abuse of bargained-for arrangements, such as actions against parties acting as unregistered brokers or dealers on behalf of investors who profit from their stock purchases.

The Chamber of Commerce flagged this issue in its *Sripetch* amicus brief, positing a scenario in which one friend pays another \$5 to inspect a watch and advise on a purchase. The advising friend recommends purchasing the watch for \$30 because it could be resold for \$40, and the inquiring friend does so profitably - unaware that the advising friend had failed to register with the government as a “watch adviser.” While this failure may constitute a public law violation, the inquiring friend suffered no harm and no loss of property or trust.

The court acknowledged this “worry” but noted it was “beside the point in this case for, as it comes to us, Mr. Sripetch has not disputed that his victims 'suffer[ed] a violation of their legally protected interests.’” *Id.* at 1413. In declining to address this issue, the court left the SEC (as

well as investors and providers of investment-related services) in the dark about whether its disgorgement powers extend to matters not involving fraud or other types of venal conduct.

A concurring opinion by Justice Clarence Thomas raised another issue left unresolved by the majority: whether the NDAA transformed disgorgement into a legal remedy unconstrained by *Liu*'s equitable limitations. Echoing his dissent in that case, Thomas asserted that disgorgement is not a traditional equitable remedy-period.

He then argued that if disgorgement is a legal remedy then equitable limitations are arguably inapplicable, and defendants may be entitled to a jury trial under the Seventh Amendment. Thomas then predicted that the court "will soon need to address whether disgorgement under §78u(d)(7) is a legal remedy." *Id.* at 1418.

Sripetch brought resolution to a pressing question by holding that the SEC can obtain disgorgement by showing a victim suffered an interference with a protected interest. However, in doing so, the Supreme Court sidestepped the task of completely shaping the SEC's authority to seek disgorgement, leaving open the question of whether disgorgement is available to the SEC in the absence of fraud or other serious misconduct.

The court also left for another day the question of whether disgorgement remains an equitable remedy or has morphed into a legal one. For enforcement practitioners seeking clarity, that day cannot come soon enough.

Christopher Bosch and Jeff Kern are partners at *Sheppard, Mullin, Richter & Hampton*.

Securities

SEC Chief Irks Investors By Still Avoiding Shareholder Disputes

July 10, 2026, 2:51 PM PDT

The head of the SEC ruffled shareholder proponents by signaling the agency might stay out of investor proposal disputes for the foreseeable future.

Ordering staff to return to the “tedious” and “ineffectual” task of instructing companies which shareholder proposals must go to an investor vote isn’t good government, Securities and Exchange Commission Chairman Paul Atkins said July 9 at the Society for Corporate Governance conference in Nashville.

“I do not doubt that this season was challenging for some,” Atkins said. “But my greatest takeaway is that the Commission staff’s interposition between companies and shareholder proponents is unnecessary.”

The agency announced in November it would stop its decades-long practice of mediating scuffles over whether companies can exclude certain shareholder proposals — which can deal with anything from board practices to social justice — from their annual meeting ballots. Atkins’ remarks, which come as the agency reevaluates the federal regulation that compels companies to send eligible shareholder proposals to a vote, signal how the agency’s recent change in course might be the new normal, not just an experiment.

The agency’s decision to stay out of proposal disputes is being litigated. An SEC spokesperson declined to comment on whether it plans to keep the new process, revert to the previous one, or propose another alternative.

Some shareholder proponents said the former “no action” process — in which the SEC vetted the merit of companies’ exclusion arguments and sometime pledged not to recommend enforcement action against them — was imperative to good corporate governance.

A tedious process is not the same as a useless one, decades-long shareholder advocate James McRitchie said in an email. “The SEC should modernize the referee function, not abandon the field,” he wrote.

Atkins’ comments were not a surprise, Ronald Mueller, a partner at Gibson, Dunn & Crutcher LLP, said over email.

“Many companies have been anticipating that the SEC Staff would not reinsert itself in the no-action process,” he said. “Companies now have greater experience on how their shareholders view the situation, and I expect that most will continue to take a case-by-case approach.”

Heading into the 2026 proxy season, shareholders feared companies would liberally exclude their proposals without the SEC’s oversight. The latest data, however, shows companies excluded roughly the same percentage this year as in previous years.

Proposal Omissions Remain Stable Year-Over-Year
Companies kept roughly the same percentage of resolutions off ballots this proxy season as the last one.

—	Voted/Vote Pending	Omitted/Not in Proxy	Withdrawn/Not Presented
2021	51%	19%	31%
2022	59%	12%	28%
2023	65%	18%	17%
2024	63%	22%	15%
2025	58%	28%	15%
2026	64%	27%	8%

Note: Data as of June 15, 2026
Source: ISS-Corporate

Bloomberg Law

“The staff’s absence this season did not create the chaos that many feared,” Atkins said in his remarks.

The change didn’t come without consequences, though. The new process was a “disaster” as companies and shareholders alike navigated new confusion, said Danielle Fugere, president and chief counsel of shareholder group As You Sow.

Shareholder proponents even took the previously rare step of suing companies, including PepsiCo Inc. and AT&T Inc., over what they said were improperly excluded proposals. Most of those lawsuits ended with an outcome that favored the plaintiff.

The SEC’s previous process gave both companies and investors a reliable way to resolve disputes without turning to the courts, McRitchie said.

John Chevedden, who has been drafting shareholder proposals for more than 30 years, said Atkins is likely exaggerating how long analyzing proposals takes for his staff, especially with artificial intelligence at the agency’s disposal.

States sue to block \$110 billion Paramount-Warner Bros. merger

A coalition of 12 states filed suit Monday to block Paramount Skydance Corp.'s proposed \$110 billion acquisition of Warner Bros. Discovery Inc., arguing the deal would unlawfully consolidate the entertainment industry, raise prices for moviegoers and cable subscribers, and reduce the quantity and diversity of films and television programming.

The complaint, filed in the U.S. District Court for the Northern District of California, alleges the merger violates Section 7 of the Clayton Act by substantially lessening competition in the markets for wide-release theatrical films, anticipated blockbuster films and the licensing of basic cable channels. California Attorney General Rob Bonta leads the suit alongside the attorneys general of Arizona, Colorado, Connecticut, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, and Washington.

The states contend the merger would combine two of Hollywood's five major studios, leaving four companies to control more than 85% of wide-release theatrical films. They also allege the combined company would control more than 50 cable channels, including CNN, TNT, HGTV, Nickelodeon, MTV and Comedy Central, giving it unprecedented leverage over cable and satellite distributors.

According to the complaint, theaters would likely face higher revenue-sharing demands, stricter limits on ticket discounts and complimentary admissions, and fewer theatrical releases as the merged company reduced incentives to compete with itself. Consumers, the states argue, would ultimately pay higher ticket prices while seeing fewer films and diminished investments in theater amenities.

The complaint also alleges cable distributors would have little bargaining power against a company controlling an expansive portfolio of must-have programming across news, sports, children's, entertainment, and lifestyle channels. The states argue higher licensing fees would likely be passed on to subscribers through increased monthly bills while investment in original programming declined.

The states point to concentration measures they say make the transaction presumptively unlawful under federal antitrust law. They also argue that new competitors could not realistically replace the competition lost through the merger because of the substantial costs of film production, theatrical distribution networks, franchise intellectual property and cable programming portfolios.

The complaint cites Disney's 2019 acquisition of 20th Century Fox as evidence that major studio mergers can reduce theatrical output, noting Disney cut the combined companies' wide theatrical releases by more than half after the acquisition. It also contends the defendants' public commitment to release at least 30 films annually is unenforceable and would not address the alleged competitive harms.

The states seek a permanent injunction blocking the acquisition, arguing no merger-specific efficiencies outweigh the alleged anticompetitive effects. The case has been deemed related to *Faust v. Paramount Skydance Corp.*, No. 4:26-cv-03790-AMO, pending before U.S. District Judge Araceli Martínez-Olguín.

Securities

Manage Newsletters

Stock Rally Drives Calpers to 14.8% Return in Fiscal 2026 (1)

July 13, 2026, 1:05 PM PDT

Summary by Bloomberg AI

AI Generated



- The California Public Employees' Retirement System reported a 14.8% gain for its latest fiscal year, driven by stocks and private equity.
- The returns beat the pension's 6.8% annual target, pushing assets to \$637.1 billion and leaving the system 85% funded.
- The pension system's performance was led by public equity with a 24.1% return, followed by private equity at 17%.

The California Public Employees' Retirement System reported a 14.8% gain for its latest fiscal year, with results driven by stocks and private equity.

The returns beat the pension's 6.8% annual target, pushing assets at the largest US public pension fund to \$637.1 billion, Calpers said in a statement Monday. The gain leaves the system 85% funded, up from 79% a year earlier.

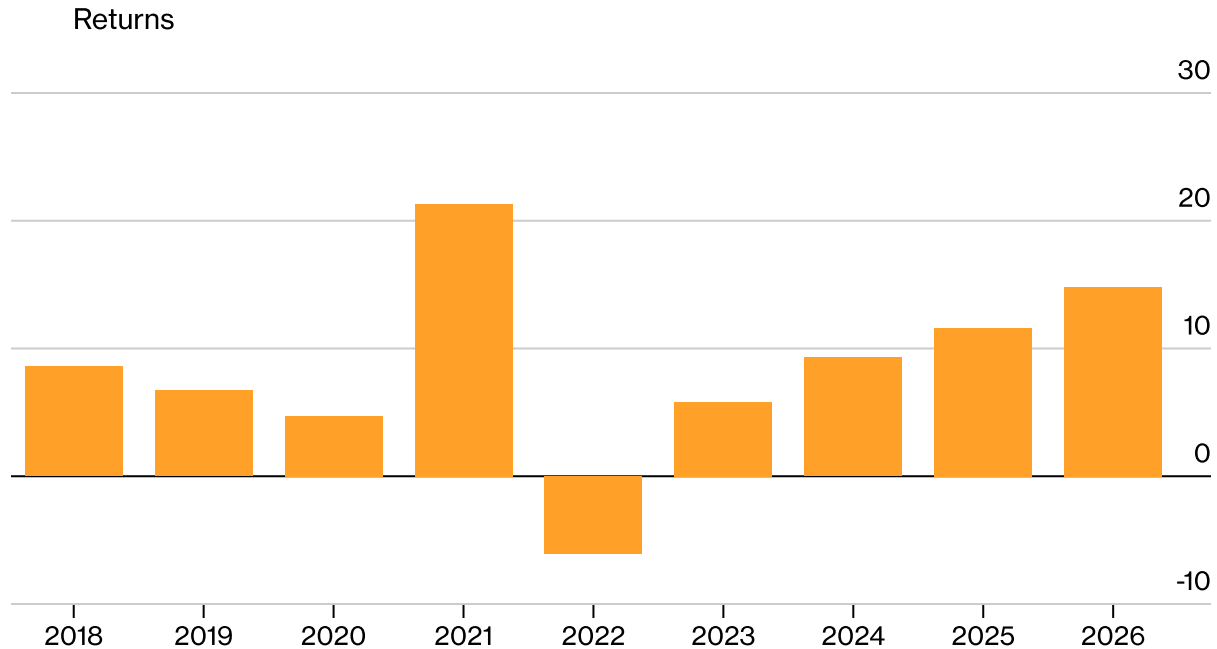
The annual announcement is closely watched by many of the system's 2.4 million members, including employees and retirees from state and local government agencies across California. The pension system's performance also weighs on the budgets of those agencies, which contribute to the retirement program.

"An 85% funded level is great compared to where we started, but we're not quite there yet. It's not full funding," Calpers Chief Executive Officer **Marcie Frost** told the pension system's board during a meeting in Monterey on Monday. "Building the health of the fund remains job number one."

Public equity led among asset classes with a 24.1% return, followed by private equity at 17%. Private debt returned 11%, real assets posted returns of 6.3% and fixed income gained 5.9%.

Calpers Posts 14.8% Return for Fiscal Year 2026

Percentage change in Calpers investment portfolio



Note: All years are fiscal years

Source: California Public Employees' Retirement System

Bloomberg

Monday's announcement comes as state legislators consider boosting benefits and lowering the retirement age to 55 from 57 for police officers and firefighters in the pension system.

The system's size and broad investment portfolio have put it at odds with some members, labor unions and state legislators, who argue that Calpers backs companies that undercut state policies on issues such as climate change and workers' rights. The pension has faced growing calls in recent years to divest from Tesla Inc., for example, as well as oil companies.

"The strong return of our broad stock holdings once again illustrates the importance of maximizing return for our members by not forgoing investments in strong performing companies because of external pressures," Frost said.

The announcement, which covers the fiscal year ended June 30, comes as Calpers this month shifts to a new method to managing investments known as the total portfolio approach.

Read More: 'Total Portfolio Approach' Is Shaking Up Institutional Trillions

The strategy abandons rigid allocations to asset classes such as stocks, bonds, private equity and real estate, and instead calls for the pension system's investment teams to work more closely together with a focus on generating the best returns. As part of the shift, Calpers adopted a new reference portfolio of 75% equities and 25% bonds.

Backers say the change will make the pension system a more flexible investor. But it also marks a major shift for Calpers, the first US public pension fund to implement a total portfolio approach.

(Updates with additional returns in the fifth paragraph)

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US Appeals Court Lifts Order Blocking Investor Lawsuits Over Infinity Q's Collapse

A three-judge appeals panel found that a permanent injunction blocking the lawsuits didn't conform with the Anti-Injunction Act, a law preventing the federal judiciary from staying state court proceedings.

Investors may sue the underwriter for the defunct Infinity Q mutual fund in New York state court, after the U.S. Court of Appeals for the Second Circuit lifted a federal court order blocking the litigation.

A three-judge appeals panel unanimously found that U.S. District Judge Kevin Castel's permanent injunction blocking the lawsuits didn't conform with the Anti-Injunction Act, a law preventing the federal judiciary from staying state court proceedings.

The law has a carve-out for instances in which a stay would "aid" federal jurisdiction or protect a federal judgment, which Castel invoked to protect the Manhattan federal court's authority over a special reserve holding the \$100 million left of the Infinity Q Diversified Alpha Fund, a series of the Trust for Advised Portfolios, or TAP, that collapsed due to fraud.

But the Second Circuit vacated Castel's injunction on Thursday, saying the exemption doesn't apply to investors attempting to hold Quasar Distributors liable for the fund's collapse, as any state court judgment against Qasar would not impede the federal court's control of the special reserve.

"Quasar does not have any legal right to the special reserve," according to [the decision](#), which was authored by Circuit Judge Beth Robinson. "Any legal claims it may have are against TAP; the special reserve is simply the pool of money from which TAP may satisfy its obligations to Quasar."

Robinson was joined by Circuit Judges Sarah Merriam and Maria Araújo Kahn.

The investors before the circuit are represented by Rolnick Kramer Sadighi. They're the shareholders who opted out of a \$48 million securities settlement from one of several lawsuits to be filed against the investment adviser, Infinity Q Capital Management.

The firm's founder, James Velissaris, was charged with and pleaded guilty to securities fraud related to a multi-year scheme to overvalue assets in the firm's mutual fund and hedge fund by \$1 billion. He was later sentenced to 15 years in jail.

Amid proceedings, the mutual fund liquidated its holdings to distribute amongst shareholders. Afterwards, all its remaining assets were placed in a special reserve covering expenses, liabilities, legal fees and potential indemnification claims against the fund.

In December 2022, the opt-out investors filed their own lawsuits in state court against a range of entities, including Quasar, which underwrote the fund. The special master for the reserve, represented by Finn Dixon & Herling, initially allowed the suits, but then petitioned the federal court to bar the cases after Quasar triggered an indemnification agreement with TAP and sought reserve funds for its defense.

On Thursday, the Second Circuit rejected arguments that TAP's indemnification obligations warrant blocking the suits. The circuit pointed out that the Anti-Injunction Act's "in aid of jurisdiction" exemption generally covered *in rem* actions concerning the possession or control of a thing. The opt-out investors' lawsuits are "indisputably" in personam actions seeking to establish Quasar's liability, the circuit said.

"The fact that a judgment for the opt-out plaintiffs in their state court action against Quasar may trigger contractual obligations by TAP to Quasar, which the special master may opt to satisfy from the special reserve, does not convert the opt-out plaintiffs' in personam actions against nonparty Quasar into challenges to the district court's jurisdiction over the special reserve," according to the decision.

Intuit Hid True Status Of TurboTax Business, Investor Alleges

 [law360.com/articles/2499916/intuit-hid-true-status-of-turbotax-business-investor-alleges](https://www.law360.com/articles/2499916/intuit-hid-true-status-of-turbotax-business-investor-alleges)

(July 10, 2026, 11:37 PM EDT)--[Intuit](#) touted a "momentum" across its businesses while hiding that its TurboTax business was, in reality, poorly performing, an investor alleged in a proposed class action filed Friday in California federal court that also accuses the financial software company's CEO of fraudulently enriching himself by more than \$36 million.

Investor Sanjiv Baldwin says in a new complaint that Intuit Inc. had overstated its competitive advantages and growth when it was actually losing significant business in its tax-related business due to increasing competition and pricing pressures.

Baldwin says Intuit had attributed a "momentum" to purported advantages like artificial intelligence integration, and in August 2025, provided guidance that included an 8% revenue growth in TurboTax due to "outstanding execution across our platform" and "breakthrough adoption in assisted tax."

But such statements were materially false and misleading, as evident by later disclosures that TurboTax wasn't doing too well, Baldwin claims.

He says Intuit, after its stock price fell on news of layoffs and closing offices, announced disappointing fiscal third quarter 2026 results in a post-market hour press release May 20 that reported TurboTax revenue grew by only 7% year over year.

He says that during an earnings call, Intuit's Chief Financial Officer Sandeep Aujla also acknowledged that TurboTax "did not have the overall tax season" the company had expected while CEO Sasan Goodarzi acknowledged that Intuit expects TurboTax "to grow 7% for the full year," down from prior guidance of 8% growth.

"Following these disclosures, Intuit's stock price fell \$76.86 per share, or 20.02%, to close at \$307.07 per share on May 21, 2026," Baldwin says. "As a result of defendants' wrongful acts and omissions, and the precipitous decline in the market value of the company's securities, plaintiff and other class members have suffered significant losses and damages."

Baldwin accuses Intuit of violating federal securities laws and seeks to represent a class consisting of those who purchased or otherwise acquired Intuit securities between Aug. 22, 2025 and May 20, 2026, "and were damaged upon the revelation of the alleged corrective disclosures."

The lawsuit also targets Goodarzi and Aujla, who Baldwin says had the "motive and opportunity to commit fraud."

Baldwin claims that the two executives disseminated materially false and misleading statements in order to maintain artificially inflated stock prices.

Goodarzi then "enriched himself by over \$36 million by selling tens of thousands of shares of the Company's common stock at artificially inflated prices," Baldwin says.

Aujla, meanwhile, made \$5 million by also selling thousands of shares at artificially inflated prices, Baldwin contends.

Baldwin says Intuit and its executives also had actual knowledge that their statements were misleading, or acted in reckless disregard of the truth they knew at the time.

"Defendants were laser-focused on Intuit's tax-related business at all relevant times, as exhibited by their repeated and highly specific statements regarding TurboTax and Intuit's other tax-related business segments in press releases and financial reports," Baldwin says.

They were also "simultaneously reaping millions of dollars in proceeds" through the alleged sales of artificially inflated stocks, Baldwin claims.

"Accordingly, defendants participated in a scheme to defraud and committed acts, practices, and participated in a course of business that operated as a fraud or deceit on purchasers of the company's securities during the class period," Baldwin argues.

An Intuit spokesperson told Law360 on Friday, "We strongly disagree with the allegations in this complaint."

"We are confident in our public disclosures and we look forward to vigorously defending ourselves in court," the spokesperson said.

Baldwin is represented by Jennifer Pafiti, Jeremy A. Lieberman and J. Alexander Hood II of [Pomerantz LLP](#), and Brian Schall and Andrew Brown of Schall Brown & Schwartz LLP.

Counsel information for Intuit was not immediately available.

The case is Sanjiv Baldwin vs. Intuit Inc. et al., case number [3:26-cv-07086](#), in the [U.S. District Court for the Northern District of California](#).

In Case You Missed It: Hottest Firms And Stories On Law360



law360.com/articles/2499800/in-case-you-missed-it-hottest-firms-and-stories-on-law360

(July 10, 2026, 11:54 PM EDT)-- For those who missed out, here's a look back at the law firms, stories and expert analyses that generated the most buzz on Law360 last week.

10 Most Mentioned Firms

1. [Kirkland & Ellis LLP](#)
1. [Latham & Watkins LLP](#)
3. [Quinn Emanuel Urquhart & Sullivan LLP](#)
4. [Gibson Dunn & Crutcher LLP](#)
5. [DLA Piper](#)
5. [King & Spalding LLP](#)
5. [Reed Smith LLP](#)
8. [Hogan Lovells](#)
8. [Paul Weiss Rifkind Wharton & Garrison LLP](#)
10. [Covington & Burling LLP](#)

10 Most Read Articles

[1. The 2026 Lawyer Satisfaction Survey](#)

Lawyers are generally happy being lawyers, but nonequity partners and associates told Law360 Pulse that several aspects of their job leave them feeling dissatisfied. Explore our analysis of these and other findings in the 2026 Law360 Lawyer Satisfaction survey.

[2. The Firms That Won Big At The Supreme Court](#)

This [U.S. Supreme Court](#) term featured high-stakes oral arguments on issues including presidential power, immigration and voting regulations. Here's a look at the law firms that argued the most cases and how they fared.

[3. Push And Pull: How High Court Shaped Civil Rights This Term](#)

The U.S. Supreme Court delivered far-reaching rulings on civil rights issues this term, dealing a major blow to federal voting-rights protections while expanding gun rights, upholding restrictions on transgender athletes' participation in women's sports and preserving birthright citizenship.

4. The Funniest Moments Of The Supreme Court's Term

When one of the U.S. Supreme Court's most talkative members suddenly struggled to speak, the atmosphere at oral arguments grew increasingly anxious — until the justice deadpanned that it was an advocate's golden opportunity to avoid a grilling.

5. Blank Rome Sued Over Breach Allegedly Affecting 57K People

An attorney with [Blank Rome LLP](#) was tricked into uploading sensitive files to an external [Google Drive](#) account, allegedly exposing private information belonging to more than 57,000 individuals, according to a proposed class action accusing the law firm of inadequate cybersecurity safeguards and delayed breach notification.

6. Richards Layton Faces Possible Sanctions Over AI Errors

[Richards Layton & Finger PA](#) and one of its attorneys have been directed by the [Delaware Court of Chancery](#) to show why they should not be sanctioned for a brief submitted with "hallucinated legal propositions" generated by artificial intelligence and for not taking steps to remediate those errors.

7. Taylor Swift Sends Poet's \$25M IP Suit To The Dismissed Dept.

A Florida federal judge dismissed Monday a poet's \$25 million copyright infringement lawsuit against Taylor Swift, ruling that the purportedly infringed poetry doesn't qualify as protected expression because it consists of generic ideas and metaphors, and that the plaintiff failed to plausibly plead the pop superstar copied her.

8. Ex-DOJ Employees Tell Senate To Reject Blanche Nomination

Hundreds of former Justice Department employees and appointees urged the Senate in a Tuesday letter to reject the nomination of acting Attorney General Todd Blanche for the permanent role, particularly noting what they called Blanche's work toward politicizing the department.

9. The Moments That Shaped The Monsanto Decision

U.S. Supreme Court justices forged unusual alliances when they ruled a federal statute preempts claims [Monsanto](#) failed to warn consumers its Roundup weed killer may cause cancer. Oral arguments provided insights on the 7-2 outcome, highlighting issues the jurists were grappling with and showcasing rationales that found their way into the opinion.

10. Gibson Dunn Atty Rejoins SEC As Deputy Enforcement Chief

The [U.S. Securities and Exchange Commission](#) has hired an agency veteran and former Gibson Dunn & Crutcher LLP partner as deputy director of the SEC's Division of Enforcement, a spokesperson confirmed Monday.

10 Most Read Expert Analyses

1. Generative AI Is Reshaping The Defense Of Complex Litigation

Generative artificial intelligence is lowering the barriers to filing new cases, meaning that the defense bar must respond to an increased wave of litigation — but generative AI is also helping defense teams with legal research and drafting, fact witness development, and expert witness strategy, say attorneys at [Arnold & Porter](#).

2. Justices Stand On Statutory Specifics In Cisco And Landor

With its June 23 decisions in [Cisco Systems Inc.](#) v. Doe and Landor v. Louisiana Department of Corrections and Public Safety, the U.S. Supreme Court doubled down on the critical point that the statute invoked in a federal claim must authorize a private lawsuit and the remedy sought, says Patrick Judd at [Phelps Dunbar](#).

3. Lessons From EEOC Suit Over Coca-Cola Women-Only Event

The [U.S. Equal Employment Opportunity Commission](#)'s recent lawsuit alleging that Coca-Cola Northeast violated federal law by having a professional development retreat for female employees demonstrates that the EEOC is scrutinizing DEI-related practices with unprecedented intensity, so even the most well-intentioned programs may be challenged, say attorneys at [Venable](#).

4. Fighting The Evidentiary Risks Of Deepfakes In Court

Though courts and federal rules are only slowly developing frameworks for assessing digital evidence that could have been created or generated by artificial intelligence, litigators should understand what steps they'll likely need to take to successfully challenge potentially deepfaked exhibits — and fight questions about the authenticity of their own, say attorneys at MoFo.

5. What Durnell Ruling Means For Mo. Roundup Settlement

While the U.S. Supreme Court's recent ruling in *Monsanto v. Durnell* forecloses the failure-to-warn theory that carried most of the claims against Monsanto in a pending class action in Missouri state court, it leaves untouched the question of whether the class was assembled merely to contain the defendant's liability, says attorney Gregg Goldfarb.

6. Why SEC Climate Rule Rescission Wouldn't End Disclosure

If the U.S. Securities and Exchange Commission's recent proposal to rescind its 2024 climate-related disclosure rules is adopted, companies would no longer need to prepare for the rules' specific governance, emissions, attestation, financial statement and tagging requirements, but several important constraints would remain, say attorneys at Venable.

7. Texas Business Court Rulings Show Deal Terms Paramount

As the courts within the Texas Business Court system have begun reaching the substantive merits of the cases before them, they are persuasively demonstrating they will not only

enforce the terms of transactions as written, but will also embrace a holistic approach to complex transaction documentation interpretation, says Christopher Pace at [Winston Taylor](#).

8. High Court's FCC Fine Ruling Reframes Agency Enforcement

The U.S. Supreme Court's recent decision in [Federal Communications Commission v. AT&T](#) sweeps aside uncertainty about what kinds of regulatory enforcement trigger a Seventh Amendment right, say attorneys at [Squire Patton](#).

9. A New Defense For Medicaid Fraud Cases In Texas

The [Texas Supreme Court](#) decision in LabCorp v. Texas last month, finding that the state's False Claims Act requires proof that an omission is material, is among the first to establish that the government's lack of reaction to the defendant's disclosures rendered alleged omissions immaterial, say attorneys at Sheppard.

10. 10 Years, 150 Cases: The Rise And Fall Of Post-Halo Damages

When the U.S. Supreme Court decided Halo v. Pulse in 2016, patent practitioners predicted that enhanced damages would become easier to win, but analysis of every contested district court ruling on a motion for enhanced damages in the last 10 years shows that courts have shown increasing restraint, say attorneys at [Reichman Jorgensen](#).

2 AI Washing Rulings Apply Familiar Securities Fraud Rules

 [law360.com/articles/2497668/2-ai-washing-rulings-apply-familiar-securities-fraud-rules](https://www.law360.com/articles/2497668/2-ai-washing-rulings-apply-familiar-securities-fraud-rules)

Artificial intelligence technology is complex and often opaque, and its rapid development has been accompanied by intense market interest. These conditions can encourage optimistic and, at times, overstated descriptions of AI capabilities, as companies emphasize the capabilities of their products and platforms while downplaying obstacles they encounter in the products' rollout.

This dynamic has led to early expectations that AI-related securities fraud claims would be harder to dismiss at the pleading stage, particularly because they often depend on technical capabilities, adoption metrics and evolving product functionality.

Thus far, the jury is still out on whether AI washing suits will get more traction in federal court than more general securities fraud class actions. Since securities fraud suits based on AI-related statements began surging in 2024, district courts have largely treated AI washing suits like any other securities fraud case, dismissing complaints that rely on generalized optimism, forward-looking projections or hindsight critiques of business strategy.

Recent decisions, however — *Waterford Township General Employees Retirement System v. Monolithic Power Systems Inc.* and *In re: Trade Desk Inc. Securities Litigation* — identify a narrower category of claims that can survive dismissal: Courts have allowed complaints to proceed where plaintiffs allege specific, verifiable statements about present conditions — such as product functionality, adoption levels or defect remediation — and plead contemporaneous internal facts that contradict those statements. In those cases, the core issue has not been overstating the promise of AI, but whether defendants misrepresented the current state of their products and operations.

AI-Related Securities Fraud Cases: Current State of Play

In 2024 and 2025, more than 30 AI-related securities cases were filed, reflecting both the rapid integration of AI into core business operations and heightened scrutiny from investors and plaintiffs firms alike.

These filings have spanned a range of industries, from enterprise software and semiconductors to consumer-facing platforms, but tended to share a common theory: that

companies overstated the capabilities, adoption or commercial impact of their AI-related products or strategies.

Early Results: Higher Than Average Dismissal Rates

Early expectations were that courts might be more reluctant to dismiss AI-related securities claims, reflecting concerns about the complexity and opacity of AI technologies. That has not proven to be the case.

In 2024, a total of 15 AI washing claims were filed.[1] Of those cases, nine motions to dismiss were granted, one was denied, one was granted in part and denied in part, and four remain pending.

In 2025, 16 AI washing claims were filed, with three motions to dismiss decided to date — one granted, one denied, and one granted in part and denied in part.

This reflects a higher-than-average dismissal rate compared to other securities class actions, marking a reversal from 2021 to 2022, when AI-related filings were dismissed less frequently and settled at higher rates than other securities class actions.[2]

The Same Forums, the Same Results: SDNY and Northern District of California Remain the Epicenter

AI washing claims are being filtered through courts with deep Private Securities Litigation Reform Act experience and established precedent.

Of the 31 AI washing cases filed across 2024 and 2025, the majority were brought in [U.S. District Court for the Northern District of California](#) and the [U.S. District Court for the Southern District of New York](#): nine in the former and seven in the latter. When considering all California and New York federal district courts collectively, the share rises to over 61%.

Unsurprisingly, those courts have analyzed AI-related allegations through familiar frameworks governing falsity, scienter, and the distinction between actionable misstatements and nonactionable puffery or opinion.

Lack of Appellate Guidance

Appellate courts have not yet substantively addressed AI-related securities claims, and no circuit has articulated a distinct framework for evaluating AI washing theories.

Existing appeals have turned on procedural or case-specific issues rather than the merits, leaving district courts to apply established precedent in the first instance.

Two Key Recent Decisions

Although no circuit court has yet articulated a framework for evaluating AI-related securities claims, two recent district court decisions begin to clarify the line between nonactionable optimism and actionable misstatements in this context. Considered together, these decisions do not create new doctrine, but instead illustrate how traditional PSLRA principles apply to disclosures in the AI context.

Monolithic Power Systems

Waterford Township General Employees Retirement System v. Monolithic Power Systems, [issued](#) on May 6 by the [U.S. District Court for the Western District of Washington](#), illustrates how courts apply traditional PSLRA principles to AI-adjacent disclosures, particularly where companies make concrete statements about product performance and the resolution of known issues.

Monolithic Power Systems manufactures power management chips used in hardware that supports AI computing, including data center servers and GPUs.

During 2024 earnings calls, executives made statements about the performance of those products and the status of previously identified technical issues, such as whether the company had "resolve[d] all these issues," whether its products could "meet the customer demand" and whether it continued to offer the "best solutions" for customers.[3]

Investors alleged that those statements were misleading because the company continued to experience unresolved quality and performance problems that affected its products and its position in the market for AI-related hardware.

On May 6, the court allowed the majority of the claims to proceed, denying the motion to dismiss with respect to statements that, it concluded, conveyed specific, verifiable facts about current conditions, including representations that quality issues had been resolved. The court explained that those statements contained "embedded, objectively verifiable fact[s]," namely, whether the problems had in fact been fixed, which made them capable of supporting a securities fraud claim at the pleading stage.[4]

By contrast, the court granted the motion to dismiss for statements describing Monolithic's products as the "best solution" for customers.[5] Applying the framework under the [U.S. Supreme Court](#)'s 2015 [decision](#) in Omnicare Inc. v. Laborers District Council Construction Industry Pension Fund, the court found these statements to be nonactionable, protected opinions because (1) the plaintiff failed to allege that the speaker "did not actually hold the

stated beliefs"; (2) the statements did not "contain an embedded statement of untrue fact"; and (3) the opinions were "not misleading by omission." [6]

The court emphasized that the statements were "subjective" and "not capable of objective verification," explaining that "even if these opinions reflected facts that later proved untrue, 'an investor cannot state a claim by alleging only that an opinion was wrong.'" [7]

Trade Desk

In re: Trade Desk provides the clearest example of an AI-related complaint surviving dismissal, illustrating the dividing line between corporate optimism and actionable fraud.

In the case, Trade Desk, an advertising technology company, launched a new AI-powered platform, and its executives made repeated statements touting the platform's "phenomenal" client adoption and improvements over its predecessor. [8] Investors alleged that those statements were misleading because the platform was not being adopted as quickly as represented and suffered from significant functional issues.

On March 17, the [U.S. District Court for the Central District of California](#) denied the motion to dismiss in full. It focused on statements that conveyed specific, measurable information about current conditions, including reported adoption levels.

The court explained that such statements are "capable of objective verification" and therefore actionable where plaintiffs plausibly allege that the underlying metrics were misleading — for example, by counting customers as having adopted the platform when they were still primarily using an earlier version. [9]

The court also declined to dismiss forward-looking statements about adoption where the plaintiffs alleged that defendants had "actual knowledge that adoption was lagging and slower than represented." [10]

For example, the complaint alleged that executives were aware through internal reporting and discussions that adoption was not progressing as publicly described, making projections about the timing of full adoption potentially misleading. The court also held that even qualitative statements describing adoption as "phenomenal" and "incredibly encouraging" could be actionable where the plaintiffs alleged that the defendants had internal data contradicting those statements and failed to disclose it. [11]

Finally, the court found that the plaintiffs' allegations gave rise to a strong inference of scienter because the "executive defendants requested and had access to [key performance indicator] data that showed the alleged performance issues," and attended weekly meetings where clients' dissatisfaction with the platform's interface and capabilities was discussed. [12]

Critically, the court pointed to suspicious stock sales in which an executive sold approximately \$48 million worth of shares just one day before an alleged corrective disclosure regarding adoption rates.[13]

Practical Takeaways: Speaking About AI in Public Disclosures

Recent decisions reflect careful application of familiar PSLRA principles: AI-related claims survive where plaintiffs challenge specific, verifiable statements about present conditions — such as adoption, functionality or resolved issues — and allege contemporaneous internal facts to the contrary. Claims fail where they rest on generalized optimism, forward-looking expectations or business hindsight.

For companies, three practical implications follow.

1. Verifiable present-tense statements carry the most risk.

Statements about adoption rates, product functionality, performance metrics or the resolution of known issues are actionable where they can be tested against internal data. Companies should ensure these metrics are clearly defined, consistently applied and accurately reflect real-world conditions.

2. Forward-looking and opinion statements remain largely protected.

Statements about expected growth, positioning or market opportunity are generally nonactionable absent particularized allegations of contemporaneous falsity. That protection is strongest where disclosures are framed as expectations and supported by meaningful cautionary language.

3. Alignment between internal data and public messaging is critical.

The cases that survive dismissal are those alleging that internal information directly contradicted public statements. Where companies highlight specific aspects of AI performance or adoption, they should be prepared to ensure internal reporting supports those representations.

Importantly, merely alleging that an AI initiative fell short of expectations is not enough to state a claim; plaintiffs must still plead particularized facts showing that specific statements were false or misleading when made, based on contemporaneous internal information.

Conclusion

Early 2026 decisions confirm a consistent through line. AI washing claims do not mark a doctrinal shift but instead reflect the standard application of settled PSLRA principles to new

technologies. AI may change the facts, but it does not change the law.

Claims continue to proceed only where plaintiffs identify concrete, verifiable statements and plead particularized, contemporaneous facts showing those statements were false or misleading when made. Absent that, the PSLRA's gatekeeping function remains firmly intact.

Fed. Circ. Revives Google Fight Against Voice Tech Patent

 law360.com/articles/2500182

(July 13, 2026, 3:58 PM EDT)-- The Federal Circuit on Monday gave [Google](#) a new chance to invalidate a patent covering a voice-operated internet browsing system, saying the [Patent Trial and Appeal Board](#) needs to take another look at the company's challenge.

In its nonprecedential [decision](#), a three-judge panel said the PTAB made errors when it found that Google failed to show that claims in Parus Holdings Inc.'s patent, U.S. Patent No. [6,721,705](#), were invalid.

In vacating and remanding the decision to the PTAB, the panel said the board too narrowly analyzed the prior art Google said made the '705 patent claims invalid and didn't give Google the opportunity to respond to the interpretation of a claim term eventually adopted in claim construction.

The panel additionally sided with Google's contention that the PTAB didn't adequately address the company's argument that the board's decision upholding the '705 claims was inconsistent with its decisions that claims in two other patents that descended from the '705 patent were invalid.

"Sometimes a reviewing court can properly discern the agency's rationale even if the agency's statement is less than perfectly clear, while still fulfilling the judicial duty not to displace an agency's factfinding or other choices with its own," the panel wrote. "Here, however, the board's silence precludes effective appellate review by making it impossible to determine whether the board apprehended the inconsistency point and, if it did, why it rejected the argument and whether its rationale was sound."

Google challenged the '705 patent and other patents at the PTAB in inter partes reviews after Parus Holdings brought an infringement suit in Texas federal court. The patent owner targeted iterations of Google's Pixel phones, Nest, Chromecast products and Pixelbooks, among others, court records show.

The case, however, was transferred to the [Northern District of California](#), where it has been stayed while inter partes reviews and related appeals play out, according to court records.

Representatives for the parties did not respond to requests for comment Monday.

The patent-in-suit is U.S. Patent No. 6,721,705.

U.S. Circuit Judges Timothy B. Dyk and Richard G. Taranto and U.S. District Judge K. Michael Moore sat on the panel for the Federal Circuit.

Google is represented by Benjamin Haber, Tim Fink and Caitlin P. Hogan of [O'Melveny & Myers LLP](#).

Parus Holdings is represented by John B. Campbell, Charles E. Fowler Jr. and Christian Dorman of [McKool Smith PC](#).

The case is Google LLC v. Parus Holdings Inc., case number [24-2381](#), in the [U.S. Court of Appeals for the Federal Circuit](#).